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30 JAN 1959

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Dear Mr. [REDACTED]

I am really most grateful to you for the long description you sent of your premature retirement system. I did not realize that my inquiry to [REDACTED] would load you with such a task, but I assure you that from our point of view at least it was well worthwhile. It has been read by five or six of our senior officials besides myself and probably will not need to go any further. In any case, I will hold it in my own papers.

Already, it has stimulated a variety of thoughts and suggestions which I feel will be productive eventually. There are, of course, many parallels in our respective problems but also some sharp differences. Unlike most of our Government organization, we have been exempted from the jurisdiction of our Civil Service Commission and are what is known as an administrative agency. Therefore, none of our people has the tenure in the Agency which is assured by law in most of the Civil Service. Furthermore, the Director was given statutory authority to terminate employees when in his discretion he deemed it necessary and advisable in the national interest. This would seem to leave us free and clear to establish such employment programs as we deem proper, but unfortunately, as is always the case in Government, it is not quite so simple. We are subject to the general retirement act and may be subject under certain circumstances to the Veterans Preference Act. These and various policy considerations circumscribe our freedom of action to a considerable degree. Hence, we are struggling not only with the problem of developing the best personnel program for our purposes but also with the legal implications thereof and whether legislative action if necessary is feasible.

As an example, we have long thought that some sort of an early retirement system, very generally along the lines of yours, is badly needed, particularly for the same categories which come under

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your system. Under our organization the definition and identification of such categories is in itself a most difficult problem. To put such a program into effect we would need either an exemption from the retirement act or specific retirement legislation. If the former, we might have to set up our own retirement fund, and if the latter, there is the old problem of justifying both to the Administration and to the Congress our need for special treatment. These are not insuperable problems but present very major difficulties.

In consideration of their solution, it would be most helpful if you could give us the benefit of some of your experience. We are in complete agreement with you that any system must deal equitably with an officer who should go before reaching the normal retirement age. As one element, we are trying to develop an effective out-placement service. Any comments you might have from your experience on placing officers moving out would be much appreciated and particularly as to whether your lump-sum system and other benefits are a positive aid in such placement. As you note, our tax laws probably rule out an exact parallel to your lump-sum benefit, although possibly some accrual system could be worked out with Internal Revenue to achieve somewhat the same result.

25X1A Have you had enough experience to make any generalities about the grade level of people who leave under your premature retirement or on what types leave in general at the 20-year, 30-year, or 40-year periods? I recall that [REDACTED] showed us a book containing a report on each intelligence officer brought up to date annually. In this process is there any competitive ranking which is the basis of the selection of those who are to be prematurely retired? We have been experimenting with competitive ranking by grade levels and would like to know whether or not you have tried it and if so with what results?

I was most interested that you have removed the absolute right to retire voluntarily, as our best estimate is that any proposal we might submit which permitted voluntary retirement would not be acceptable to the Congress. However, since you may permit voluntary retirement, do you find that you are losing people that you would rather retain in lieu of others you would rather retire prematurely? I assume you would be most reluctant to forfeit all superannuation entitlements and has it been necessary in practice to do so?

You comment on the distinction between inefficiency and mediocrity; I think our distinction is exactly the same. Inefficiency is the basis for termination for cause and, therefore, must be clearly demonstrable. Here our problem is not much different from that of

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other Government agencies. In the case of mediocrity, we are dealing with the concept of the man not able to perform his assigned duties in accordance with the Agency's standards. He may have reached the limit of his natural capabilities, or he may, as you put it, have "burnt out." Unless such an individual voluntarily accepts a reduction to a grade at which he can perform adequately or agrees to leave the Agency with what assistance we can give him, our only recourse is to terminate him under the Director's discretionary authority. On such termination, normally the benefits are very small and our ability to assist him in finding outside work is limited. This is the area in which we most need improvement and in which the description of your system is most helpful.

One very small point raised by one of those who read your paper and who is a banker by background concerns your description of the formula by which your career element is set. In the figures used, you say on page five that at the age of 50 the figure is 77.5 per cent of three years' salary. If we understand the formula correctly, is this not a misprint for 47.5 per cent?

I am sorry for the long delay in acknowledging receipt of your paper, but actually it was probably caught in the holiday lull and did not reach me until the middle of January. We have given it much attention since then. I hope some time we can discuss these and other matters in person.

Again, many thanks.

Sincerely,

s/ Lawrence R. Houston

Lawrence R. Houston

OGC:LRH:jeb

cc: DD/S

Director of Personnel

WE

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subject-Personnel 16 (ref sheet only)

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1	Director of Personnel	<i>[Signature]</i>			
2	25X1A				
3	<i>Mr. Houston</i>				
4	<i>221 East</i>				
5					
6					
ACTION		DIRECT REPLY		PREPARE REPLY	
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CONCURRENCE		INFORMATION		SIGNATURE	
<p>Remarks: 25X1A</p> <p><i>[Redacted]</i> This is the letter I want to send to <i>[Redacted]</i> retirement. I thought in a cover letter to <i>[Redacted]</i> I would raise the question of wage levels, as I am sure that we have probably picked up a good deal of this and it is possibly a sensitive point.</p> <p><i>LRH</i></p> <p><i>[Signature]</i> LRHouston</p> <p><i>[Handwritten notes: Draft changed by someone. Retained when final copy 1/26/59]</i></p>					
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General Counsel 221 East				1/27/59	